

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2573-01
BILL NO.: HB 1167
SUBJECT: Tax and Revenue-Income-Retirement Systems and Benefits-General
TYPE: Original
DATE: February 21, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$18,984)	(\$14,600,000)	(\$22,900,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$18,984)	(\$14,600,000)	(\$22,900,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state the proposal would require modifications to the income tax system. The Division of Taxation and Collections estimates the modifications, including programming changes, would require 519 hours of overtime at a cost of \$15,606. Modifications to the income tax return and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$3,378 would be requested.

Office of Administration (COA) officials state the estimate is based on data from the Tax Expenditure Report, Spring 1998 Statistics of Income, and Budget and Planning's Individual Income Tax Simulator. COA assumes a six percent marginal tax rate.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Loss to General Revenue Fund</u>			
Pension exemption	\$0	(\$14,600,000)	(\$22,900,000)

<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$18,984)	\$0	\$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$18,984)</u>	<u>(\$14,600,000)</u>	<u>(\$22,900,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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DESCRIPTION

This bill makes changes to the individual income tax deduction for public and private pension income received.

Under current law, taxpayers are allowed a limited deduction for public source pension income received of up to \$6,000 per taxpayer per year. This bill extends the \$6,000 to \$8,000 for tax year 2001 and to \$10,000 for tax year 2002 and thereafter. In addition, current law allows only taxpayers with qualified incomes of \$25,000 or less for single taxpayers or \$32,000 for married taxpayers to use the public source pension income limited deduction. This bill extends these income levels to \$27,500 and \$36,000, respectively, for tax year 2001, and to \$30,000 and \$40,000, respectively, for tax year 2002 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
February 21, 2000